

BAY STATE GAS COMPANY
D.T.E. 01-81
SUPPLEMENTAL RECORD REQUESTS

Pursuant to 220 C.M.R. § 1.06(6)(h), the Department of Telecommunications and Energy submits to Bay State Gas Company ("Company") the following Supplemental Record Requests.

SUPPLEMENTAL REQUESTS

The following supplemental record requests refer to the Company's Motion for Clarification concerning the Department's December 4, 2002 Order in D.T.E. 01-81.

- DTE-RR Sup. 1-1 Please refer to Exh. BSG-2 (i.e., the Prefiled Direct Testimony and Attachments of Karl E. Stanley) at 16-17. Bay State stated that the GCIM would be subject to an annual net realized loss limit of \$5,000,000 and that the monthly and annual position limits of 100 NYMEX equivalent and 1,000 NYMEX equivalent contracts also would apply to Bay State's activities, which represents slightly less than 25 percent of Bay State's normal year requirements.
- (A) Please explain what Bay State means by "normal year requirements."
 - (B) Please explain the basis for the calculation of the loss limit of \$5,000,000.
 - (C) Please explain how the loss limit of \$5,000,000 is related to the "slightly less than 25 percent of Bay State's normal year requirement" referred to above.
 - (D) Please explain how the loss limit would change if the Company were to trade more than 25 percent of its normal year requirements. In your response, please calculate the potential loss limits if the Company trades 50 percent, 75 percent, and 100 percent of its normal year requirements.
- DTE-RR Sup. 1-2 Please refer to Exh. DOER 4-29. Bay State stated that "[t]he position limits serve two purposes. First, the position limits prevent the possibility that Bay State would have a financial position without an associated physical market, which would entail speculation and violate NiSource policies. Second, the position limits establish a volumetric bound for risk exposure."
- (A) Please explain what the Company means by "financial position" and "an associated physical market." Quantitatively, indicate what the "associated physical market" is.

- (B) Please quantify the “volumetric bound for risk exposure” referred to above. Does the “volumetric bound” refer to *physical* or *financial* transactions?

DTE-RR Sup. 1-3

In Bay State’s Motion for Clarification at page 3, the Company states that “[a]ny restriction applied to the Company’s physical gas purchases in the GCIM program (including those to meet storage injection requirements) creates an unintended opportunity for the Company to “game” the operation of the GCIM because the Company would be in a position to “select” which purchases (of total system requirements) to compare to the benchmark, after it makes all its domestic purchases.”

- (A) Please demonstrate that “gaming”, if it does occur, will be harmful to Bay State’s customers under the GCIM. In your response, please differentiate any harmful effects of “gaming” on customers by customer class.
- (B) Please demonstrate that “gaming”, if it does occur, will be harmful to Bay State under the GCIM.

DTE-RR Sup. 1-4

Please demonstrate that if the Department accepts Bay State’s proposal (at page 3 of the Motion for Clarification) to “include 100 percent of the Company’s domestic physical gas purchases in the GCIM program” this will not result in cross-subsidization of one customer class (i.e., residential customers) by another customer class (i.e., commercial and industrial customers) if the GCIM is limited to residential customers only.

DTE-RR Sup. 1-5

Please refer to the Company’s Motion for Clarification at page 4. Please outline and discuss “the difficulties associated with physical implementation” of the GCIM referred to here. In your response, please discuss whether Bay State outlined “the difficulties” in its prior filings. If not, please explain why?

DTE-RR Sup. 1-6

Please explain in detail how the Company dispatches gas to serve its customers on a daily basis. In your response, please provide relevant data showing Bay State’s “Daily Game Plan” or “Daily Dispatch Plan” for the past year.

- DTE-RR Sup. 1-7 Please describe the difficulties that the Company will encounter if it were to apply the MBA methodology to determine the contracts that are used to serve residential loads.
- DTE-RR Sup. 1-8 Please refer to page 2 of Bay State's Motion for Clarification. The Company states that "the Company's proposal sought to limit the *financial* transactions (hedging) to 80 percent of domestic purchases rather than restrict the *physical* domestic purchases to 80 percent". Please state where this information can be found in the Company's original proposal.
- DTE-RR Sup. 1-9 Please refer to page 2 of Bay State's Motion for Clarification. The Company states that "The Company proposed a restriction on financial transactions to 80 percent of the domestic purchases to ensure that in any one month the Company would have the physical gas requirements to cover its financial positions. Tr. Vol. 2, at 119-120." This citation does not support the text, please clarify.
- DTE-RR Sup. 1-10 Please refer to page 2 of Bay State's Motion for Clarification. The Company states that "any restriction applied to the Company's physical gas purchases in the GCIM program (including those to meet storage injection requirements) creates an unintended opportunity for the Company to "game" the operation of the GCIM because the Company would be in a position to "select" which purchases (of total system requirements) to compare to a benchmark". If the Company was not left to its own discretion to "select which purchases (of total system requirements) to compare to a benchmark", and instead the D.T.E. established parameters for contract "selection" (i.e., such as select highest priced contracts first), would the Company still have the potential to "game"? Wouldn't this be a alternative to "avoid this potential for gaming" rather than resorting to "the inclusion of 100 percent of the Company's domestic physical gas purchases in the GCIM program."
- DTE-RR Sup. 1-11 Please refer to page 4 of Bay State's Motion for Clarification. The Company states that "It bears repeating that financial implementation of the GCIM program, with no restrictions in the physical gas purchases, will have no impact on C&I customer prices in the CGAC." What kind of financial impact will such an arrangement have on the Company as compared to the financial impact if the Department's directives restrict the volume of physical gas purchases? What kind of financial impact will financial

implementation of the GCIM program, with no restrictions in the physical gas purchases have on the Residential Class as compared to the financial impact on the Residential Class if the Department's directives restrict the volume of physical gas purchases? Please provide numerical examples.